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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one):
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

92-22850

OR

[ ] TRANSITIONAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-15321

Direct Pharmaceutical Corporation
Exact name of registrant as specified in its charter)

Delaware	74-2323010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7701 Forsyth, Suite 650, St. Louis, Missouri 63105
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (314) - 726-7997

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 1992. 11,011,057

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements of the Registrant for the quarter ended March 31, 1992, filed as part of this Form 10-Q are included as an exhibit to this Form 10-Q in Part II, Item 6.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Material Changes in Financial Condition

On January 10, 1992, Direct Pharmaceutical Corporation (the "Company") sold certain assets of its Mail Order Pharmaceutical business ("Mailscripts"), which constituted its remaining ongoing operation. This business will be reflected as continuing operations in the financial information presented herein.

On January 10, 1992, the Company sold certain assets and Allscrips Pharmaceuticals, Inc. ("Allscrips") assumed certain liabilities of Mailscripts, in exchange for 800,000 shares of Allscrips restricted common stock, representing approximately 5.7% ownership of the outstanding common shares of Allscrips, and a $200,000, subordinated, non-interest bearing promissory note. Although there is no readily ascertainable market value for the Allscrips restricted common stock, management has determined a value for this stock based on recent transactions with shareholders. Based on this value, management estimates that the realizability of the net assets sold is reasonably assured.

With the completion of the sale to Allscrips, a significant portion of the Company's assets are in Allscrips restricted common stock. Allscrips is majority owned by Allstate Insurance Company ("Allstate") and is privately held. Allscrips has recently filed a Form S-1 with the Securities and Exchange Commission (the "SEC") to register 3,162,500 shares of common stock. The anticipated initial public offering

price is significantly greater than the value assigned to the shares held by the Company. The Form S-1 is not effective as of this writing. Upon completion of the offering, the Company will own approximately 4.7% of the outstanding common shares of Allscrips. Allstate will continue to be the majority owner of Allscrips.

On March 16, 1990, the Company entered an agreement with Scott Equities, Ltd., an affiliate of Scott Capital Corporation (collectively referred to herein as "Scott"), which provided that Scott would issue a $500,000 letter of credit in favor of Bailey Drug Company, a division of Cardinal Health, Inc. ("Bailey") to collateralize inventory purchases by Mailscripts. As part of this agreement, the Company signed a standby demand note of a like amount, bearing interest at the rate of 17% per annum, to be effective in the event the letter of credit is taken down by Bailey. The Company also issued warrants to Scott for the purchase of 250,000 shares of the Company's stock at $3.00 per share of which none have been exercised. The letter of credit was called in December of fiscal 1990. The note was paid on January 10, 1992, in connection with the sale of certain assets of the Company's Mailscripts business described previously in this section.

The Company has used the note proceeds from the Mailscripts sale and the cash proceeds contained in the Doctors' Pharmacy, Inc. escrow account, established as a result of the sale of certain assets of the Company's Doctors' Pharmacy, Inc. subsidiary in February, 1991, to satisfy the claims of certain of the Company's secured creditors. The Company expects to continue settlement negotiations with remaining creditors using a certain amount of the remaining proceeds from the Mailscripts sale to satisfy the creditor claims.

In December, 1989, the Company established a $1,500,000 revolving line of credit with a bank. As partial security for the line of credit, Messrs. Arvin Gottlieb and Fred Stuckey provided a $1,000,000 letter of credit to the bank. In May, 1990, the bank elected not to renew the revolving line of credit and the letter of credit was converted to a term note with a interest rate of 10%. Approximately $819,361 of the balance due was paid in December, 1991, and the remaining balance due was paid in January, 1992.

As part of its acquisition of Taykel in January, 1990, the Company assumed a $300,000, unsecured 10% note payable, which was due in October, 1990. As a result of the sale of certain assets of the Company's Mailscripts subsidiary, described above, this note was paid in January, 1992.

RESULTS OF OPERATIONS

On January 10, 1992, the Company sold certain assets of its Mail Order Pharmaceutical segment, which constituted its remaining ongoing operation. Accordingly, discussion of results on a fiscal year-to-date and quarter-to-quarter basis is not meaningful.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various claims and litigation arising out of the ordinary course of business. Management believes the amounts provided for such claims and litigation are adequate and the ultimate resolution of such items will not be material to the financial position of the Company.

Additionally, various trade vendors of the Company and its subsidiaries have filed suit to recover amounts due them for inventory purchased by the Company's various operations. The Company has reached settlement agreements with all but one of the vendors. The Company is continuing negotiations with the remaining vendor and expects to reach an agreement within the near future. The proceeds from the sale of the Company's Mail Order Pharmaceuticals business will be used to pay the settlement agreements.

Item 2. Change in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

(a) Financial Information

Consolidated Balance Sheet as of March 31, 1992, and September 30, 1991	F-1
Consolidated Statement of Operations for the six months ended March 31, 1992 and 1991, and the three months ended March 31, 1992 and 1991	F-3
Consolidated Statement of Cash Flows for the six months ended March 31, 1992 and 1991	F-4
Footnotes to Consolidated Financial Information	F-6

(b) Reports of Form 8-K

Date	Item Report

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Direct Pharmaceutical Corporation
Registrant

Date: May 2, 1997

By: Glenn P. Merritts

Glenn P. Merritts
Executive Vice President and
Chief Financial Officer

DIRECT PHARMACEUTICAL CORPORATION

Consolidated Financial Information
(Unaudited)

DIRECT PHARMACEUTICAL CORPORATION

Consolidated Balance Sheet

March 31, 1992 and September 30, 1991
(Unaudited)

Assets	3/31/92	9/30/91 (audited)
Current assets:		
Cash	$ 151,629	$ 153,156
Cash held in escrow	-	260,409
Total cash	151,629	413,565
Notes receivable	19,530	200,000
Trade accounts receivable, less allowance for uncollectible accounts of $49,535 for 1991	-	1,090,057
Inventories	-	257,278
Total current assets	171,159	1,960,900
Property and equipment	28,060	176,429
Less accumulated depreciation	18,273	88,578
Net property and equipment	9,787	87,851
Goodwill, net of accumulated amortization of $369,856 in 1991	-	5,141,645
Investment in Allscrips Pharmaceuticals	4,000,000	400,000
Other assets	117,773	123,705
	$4,298,719	$7,714,101

See accompanying notes to consolidated financial information.

DIRECT PHARMACEUTICAL CORPORATION

Consolidated Balance Sheet

March 31, 1992 and September 30, 1991
(Unaudited)

Liabilities and Stockholders Equity (Deficit)	3/31/92	9/30/91 (audited)
Current liabilities:		
Notes payable	$3,844,631	$3,846,356
Current maturities of capital lease obligations	5,911	18,917
Accounts payable, trade	455,654	3,074,645
Due to affiliates	-	73,443
Deferred gain	-	289,017
Accrued liabilities	1,288,739	1,249,153
Total current liabilities	5,594,935	8,551,531
Deferred gain	100,000	100,000
Other liabilities	55,000	72,291
Total liabilities	5,749,935	8,723,822
Stockholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued and outstanding.		
Common stock, $.04 par value, 30,000,000 shares authorized, 11,011,177 shares issued and outstanding in 1992 and 1991.	440,447	440,447
Additional paid-in capital	8,175,550	8,175,550
Retained deficit	(9,867,213)	(9,425,718)
	(1,251,216)	(809,721)
Less Treasury stock subscribed, 142,857 shares	200,000	200,000
Total stockholders' equity (deficit)	(1,451,216)	(1,009,721)
	$ 4,298,719	$7,714,101

See accompanying notes to consolidated financial information.

DIRECT PHARMACEUTICAL CORPORATION

Consolidated Statement of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	3/31/92	3/31/91	3/31/92	3/31/91
Net sales	$ -	$2,466,912	$3,376,879	$4,821,918
Cost of sales	-	2,211,362	3,148,582	4,186,021
Gross Profit	-	255,550	228,297	635,897
Selling, general and administrative expenses	459,108	389,647	899,103	802,573
Operating profit	(459,108)	(134,097)	(670,806)	(166,676)
Other income (expense):				
Interest income	2,966	2,432	12,552	9,932
Interest expense	(75,631)	(83,184)	(207,570)	(142,971)
Gain of sale of assets	422,146	-	422,146	-
Other	(1,441)	1,633	2,181	1,680
	348,040	(79,119)	229,309	(131,359)
Income from continuing operations	(111,068)	(213,216)	(441,497)	(298,035)
Income from discontinued operations	-	(373,837)	-	(448,231)
Net income	$ (111,068)	$ (587,053)	$(441,497)	$(746,266)
Net income (loss) per share:				
Continuing operations	$(0.010)	$(0.019)	$(0.040)	$(0.026)
Discontinued operations	0.000	(0.034)	0.000	(0.041)
	$(0.010)	$(0.053)	$(0.040)	$(0.067)

See accompanying notes to consolidated financial information.

DIRECT PHARMACEUTICAL CORPORATION

Consolidated Statement of Cash Flows

Six Months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net income (loss)	$(441,497)	$(746,266)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,613	123,483
Compensation expense for warrants issued	33,188	33,118
(Gain) on sale of assets	(422,146)	-
Change in assets and liabilities:		
Decrease in notes receivable	180,470	-
(Increase) in accounts receivable	-	(111,207)
Decrease in due from affiliates	-	1,737
(Increase) decrease in inventories	257,278	(131,357)
Decrease in prepaid expenses	-	12,121
Decrease in other assets	5,932	314,390
Increase (decrease) in accounts payable	(627,088)	529,285
(Decrease) in other liabilities	(478,434)	(10,073)
Net cash provided (used) by operating activities	(1,416,684)	15,231
Cash flows from investing activities:		
Proceeds from sale of Mailscripts' assets	485,628	-
Proceeds from sale of intangibles	1,562,126	-
Net cash provided by investing activities	2,047,754	-
Cash flows from financing activities:		
Decrease in capital lease obligations	(13,006)	(14,991)
Repayments of short-term debt	(880,000)	-
Net cash used in financing activities	(893,006)	(14,991)
Net increase (decrease) in cash and cash equivalent	(261,936)	240
Cash and cash equivalents at beginning of period	413,565	659
Cash and cash equivalents at end of period	$ 151,629	$ 899

See accompanying notes to consolidated financial information.

Continued form previous page

Supplemental disclosure of cash flow information:

Cash paid for interest	$ 188,384	$ 12,762
Common stock of Allscrips Pharmaceuticals, Inc. received as partial compensation on sale of Mailscripts, Inc. assets	$3,600,000	$ -
Common stock of Allscrips Pharmaceuticals, Inc. received as partial compensation on sale of Doctors' Pharmacy, Inc. assets	$ -	$ 400,000
Notes receivable issued as partial compensation from sale of Doctor's Pharmacy, Inc. assets	$ -	$ 375,000
Note Payable issued to retire accounts payable	$1,649,107	$ 500,000

See accompanying notes to consolidated financial information.

DIRECT PHARMACEUTICAL CORPORATION

Notes to Consolidated Financial Information

These financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods then ended.

Reference is hereby made to the notes to financial statements contained in the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1991, in addition to the following footnotes.

(1) Sale of Certain Assets of Mailscripts, Inc.

On July 1, 1991, Direct Pharmaceutical Corporation (the "Company") signed a management agreement with Allscrips Pharmaceuticals, Inc. ("Allscrips") providing that Allscrips would manage the Mailscripts, Inc. ("Mailscripts") facility in Columbus, Ohio, in exchange for a fee equal to fifty percent (50%) of all revenues generated by the business of Mailscripts during the management period in excess of the operating costs incurred during the management period. Also, during this management period, the Company received reimbursement for certain administrative costs incurred on behalf of the Mailscripts business subject to the lesser of a predetermined formula or the excess of revenues generated by Mailscripts during the management period over the operating costs incurred during the same period, providing the business generated positive revenues. The management agreement was terminated with the sale of certain assets of the Company's Mailscripts business to Allscrips, described below. All amounts due under the management agreement are being settled as part of the sale.

On January 10, 1992, the Company sold certain assets and Allscrips assumed certain liabilities of Mailscripts in exchange for 800,000 shares of Allscrips restricted common stock and a $200,000 subordinated, non-interest bearing promissory note. Although there is no readily ascertainable market value for the Allscrips restricted common stock,

management has determined a value for this stock based on recent transactions with shareholders. Based on this value, management estimates that the realizability of the net assets sold is reasonably assured.

The Company has realized a net gain of $133,129 on this transaction.

The Company has used the note proceeds from the Mailscripts sale and the cash proceeds contained in the Doctors' Pharmacy, Inc. escrow account described in Note 2, to satisfy the claims of certain of the Company's secured creditors. The Company expects to continue settlement negotiations with remaining creditors using a certain amount of the remaining proceeds from the Mailscripts sale to satisfy the creditor claims.

As a result of the sale of Mailscripts business, the Company no longer has any ongoing operations. The Company intends to continue with the sales and marketing development of pharmaceutical managed care programs and drug card programs and developing new mail service customers on a commission basis.

(2) Sale of Certain Assets of Doctors' Pharmacy, Inc.

On February 5, 1991, the Company sold certain assets, which substantially represented the business of its Doctors' Pharmacy, Inc. subsidiary, to Allscrips. The consideration received was in the form of 88,889 shares of Allscrips' Series D Senior Convertible Preferred Stock with a liquidation value of $4.50 per share, paid at closing; $100,000 in cash payable 30 days from the closing date and $100,000 in cash payable 365 days from closing subject to a possible downward adjustment based on a formula if Allscrips fails to average 70,000 unit sales per month on the

purchased business over the next 12 month period. The adjustment, based on average unit sales per month, was approximately $14,951, which was deducted from the last payment due under the agreement. The Company also received a credit facility from Allscrips covering pharmaceutical purchases of up to $800,000 by Mailscripts for a period of 12 months. The term of the credit facility was renewed on a month-to-month basis through informal agreements between the Company's management and Allscrips' management. The credit facility was terminated in January, 1992, with the sale of certain assets of the Company's Mailscripts business (see Note 1).

The credit facility was collateralized by the 88,889 shares of Allscrips' Series D Senior Convertible Preferred Stock, any amounts which were due the Company from Allscrips including payments under the sales agreement, the two year consulting agreement described in the paragraph following and any intercompany accounts receivable generated between Mailscripts, Inc. and Doctors' Pharmacy, Inc. All proceeds were placed in escrow as security for the credit facility. The escrow account was released upon completion of the sale of certain assets of the Company's Mail Order Pharmacy business on January 10, 1992 (see Note 1). These proceeds were then used to pay certain creditor claims against the Company and its subsidiaries.

Additionally and simultaneously with the closing on the sale of the Doctors' Pharmacy, Inc. business, the Company entered a two year consulting agreement with Allscrips ancillary to the previously described agreement, which provided that the Company would provide customer support, computer support, training and accounts receivable collection activities on an "as required basis" to Allscrips. As consideration for entering this agreement, the Company was to receive $100,000 on the 105th day after closing less an amount equal to one-half of the uncollected accounts receivable less than 90 days old in existence at closing; $75,000 on the 120th day after closing less an amount by which one-half of the

uncollected accounts receivable less than 90 days old in existence at closing in excess of $100,000; and $100,000 on the 365th day after closing subject to a possible downward adjustment based on a formula if Allscrips failed to average 70,000 unit sales per month on the purchased business over the next 12 month period. The adjustment herein was included in the aforementioned $14,951 adjustment. The escrow account was released upon completion of the sale of certain assets of the Company's Mail Order Pharmacy business on January 10, 1992 (see Note 1). These proceeds were then used to pay certain creditor claims against the Company and its subsidiaries.

The Company has realized a gain of $467,535, on the sale of certain of the assets of the Doctors' Pharmacy, Inc. business. In conjunction with this sale, management identified fixed assets with a net book value of $178,518 associated with Doctors' Pharmacy business to be written off. Management elected to defer the portion of the gain in excess of this fixed asset write off until such time as the escrow account described earlier was released, resulting in a net deferred gain of $289,017. This release occurred on January 10, 1992, upon the sale of certain assets of the Company's Mailscripts subsidiary (see Note 1).

The proceeds from this transaction are reflected on the fiscal 1991 consolidated balance sheet and the remaining amounts after settlement with certain creditors, as described previously, are reflected on the March 31, 1992 consolidated balance sheet as:

	3/31/92	9/30/91
Cash held in escrow	$ -	$260,409
Notes receivable	19,530	200,000
Investment in Allscrips Pharmaceuticals, Inc.	400,000	400,000
	$419,530	$860,409

The note receivable at March 31, 1992, represents residual balances due pending final reconciliation of the various inventory transactions between the Company and Allscrips.